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BEFORE THE ARIZONA CORPORATION COMMISSION

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**IN THE MATTER OF ARIZONA PUBLIC SERVICE  
COMPANY FOR APPROVAL OF PLANS RELATED  
TO RENEWABLE TRANSMISSION PROJECTS**

**DOCKET NO. E-01345A-10-0033**

Interwest Energy Alliance (Interwest) and Western Grid Group (WGG) support the proposed order and its findings on the appropriateness of Renewable Energy Action Plans (RTAP), alignment of RTAP filings with Biennial Transmission Assessment (BTA) filings, and extended and flexible timing for Certificates of Environmental Compatibility (CEC). Interwest and WGG offer the following suggestions in consideration of approval of APS' filed RTAP.

1. **Interwest and WGG recommend that the order include language from the SWAT Finance Subcommittee report that specifies components of future RTAP filings.** The RTAP will provide the Arizona Corporation Commission (Commission) with valuable information with which to evaluate what special treatment is needed for encouraging development of transmission infrastructure for renewable energy resources.

The Findings and Conclusion portion of the SWAT Finance Subcommittee report, developed by our utilities and stakeholders, outlines information that should be included by utilities in their RTAPs. We support this information list (See Attachment A) and recommend that the Commission incorporate this language in the proposed order to ensure that the Commission receives comprehensive and consistent information in future RTAPs.

As an example, the Finance Subcommittee report suggests that utilities provide "expected costs of the Renewable Transmission Projects (RTP), including an assessment of the range of bill impacts for retail customers for each project, and a range of the project costs for each phase of the development approach set forth by the utility in the RTAP." We believe this information is critical for future Commissions to be able to determine the potential cost impact to consumers. To be more comprehensive utilities could analyze the benefits to consumers from development of transmission for renewable generation not just the costs. Such an analysis could include the economic impact from generation projects in the state (property taxes paid, job impacts, etc.) and reduced power losses.

In their 2010 RTEP filing APS provided the Commission with extensive information on the cost of wind and solar from different promising resource areas of the state. The utility provided busbar, transmission, substation, and integration costs and energy, capacity and line loss adjustments from numerous sites in Arizona. This information was used to calculate the adjusted delivered cost of energy from different resource areas. This information will allow the Commission to evaluate the relative cost of energy from various resource areas and the transmission options necessary to bring this energy to load centers, to determine if proposed transmission is justified. Each subsequent RTAP filing should include detailed analysis similar what was filed in APS' 2010 RTAP.

2. **Interwest and WGG believe Staff's proposed four step process may slow, not speed, development of transmission for renewable resources and recommend that the four steps be eliminated from the proposed order.** Staff's November 9 proposed draft order outlines a four step process for approval of Renewable Transmission Projects (RTP). Establishing a uniform process would be ideal but transmission projects can vary so widely that individual consideration may be a more effective method of approval.

APS's RTEP filing contains two projects that are fully certificated (Delaney to Palo Verde [PV] and PV to N. Gila) and two projects that are conceptual (PV to Liberty and Gila Bend to Liberty). As each project has potentially different project partners, cost structures, timing, locations, reliability benefits and reach different resource areas individual consideration is warranted.

We are concerned that the four step process would add additional requirements to the development of renewable energy transmission lines that are not required of other transmission lines. This may have the effect of slowing and discouraging development.

We recognize, however, staff's concern to ensure that a transmission project is necessary and will have "customers." As APS detailed in their RTAP and in the November 19 Comments to Staff's Proposed Order "the actual in-service date of this project [Delaney to PV] will be aligned with the first definitive use of the line. The first use of the RTP could come in the form of an APS PPA with a developers or a committed TSA with a developer selling to another utility."<sup>1</sup> APS will not proceed with Delaney to PV or PV to N. Gila until a user is identified. This is the normal development process for a transmission line. As APS is not seeking any special cost recovery for these two lines this approach is reasonable.

3. **Interwest and WGG support approving expenditures for pre-development costs for the PV to Liberty and Gila Bend to Liberty transmission lines to help break the "chicken and egg" dilemma and recommend that the order approve pre-development expenditures.** To facilitate the development of renewable energy resources the timing for transmission and project development must be more closely aligned. Beginning development of transmission lines before specific generation projects are purchased or built is necessary.

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<sup>1</sup> APS Comments to Staff's Proposed Order, Exhibit A, page 2 of 17.

Planning, permitting and constructing a transmission line takes around eight years with two to three years spent in pre-development (preparing technical studies, conducting an open season to determine if there is interest in the line) and obtaining a CEC. Due to the relatively short timeline for development of renewable projects (as little as three years) developers and utilities do not look for transmission eight years out. However, when a transmission line has completed pre-development and obtained a CEC a transmission line is considered to be "real" and within a viable time frame for renewable project development. Thus, allowing APS to move forward with pre-development and obtaining a CEC will ensure that projects that are needed in the future will be ready when needed.

Interwest and Western Grid Group support approval of costs, for pre-development and securing a CEC, for the following reasons:

- The cost of pre-development is relatively small compared to the cost of obtaining Right of Way, engineering design and construction. Pre-development work is essential to determine if a transmission line is viable.
- Costs for pre-development are the most risky as a utility cannot be sure that there is interest in a project until the open season is conducted.
- Pre-development work conducted in this depressed economy may cost less than when the economy is more robust.
- APS has identified in their RTAP filing the PV to Liberty and the Gila Bend to Liberty lines as important for renewable energy development and reliability.
- For Arizona to be prepared to capitalize on its solar development potential it is necessary to begin pre-development of the lines that hold the most promise.

**For the commission to evaluate this recommendation APS would need to provide the ACC with cost estimates for pre-development steps for PV to Liberty and the Gila Bend to Liberty lines.**

If the Commission approves pre-development now, in two years, when the next RTAP is filed, APS could provide a status update to the commission of pre-development work and their CEC applications. The utility and Commission could then decide if the utility should proceed in development of the transmission lines. Approving this course of action would ensure that the lines with the most promise are being pursued while allowing the Commission to review the lines again when they are more advanced.

4. **Interwest and WGG support evaluation of transmission that may be needed to export renewable energy resources and recommend that the results of the new BTA study requirement be incorporated in 2012 RTEP filings.** The Mayes #1 amendment to the BTA (E-00000D-09-0020) adopted on November 22, 2010 instructs utilities to identify barriers and solutions to exporting renewable energy and identify a "build out" of transmission to facilitate export. We look forward to working with utilities to develop this information for consideration by the Commission and believe this information should influence and be incorporated in the next RTAP filings.

Like many states in the West, Arizona has been evaluating how to support development of infrastructure needed to transmit renewable energy power to markets. Over the past few years a tremendous amount of work has been completed by utilities and stakeholders to assess renewable energy resource areas in state, to evaluate transmission options that can unlock solar and wind potential, and to design a process for commission review and approval of lines that promote renewable energy development and increased reliability. The culmination of these work products is the RTAP filed by APS. The RTAP is a comprehensive document that provides information necessary to assist the Commission in approving transmission lines for renewable energy and reliability.

The Commission has the opportunity to continue its leadership position in the development of transmission for renewable energy resources by institutionalizing the Renewable Transmission Action Plan process and by approving transmission lines that ensure that Arizona and western utilities have access to solar and wind resources when needed. Arizona has a huge opportunity to develop renewable energy resources for export but only if there is sufficient transmission capacity. Approving certificated lines will place Arizona in a "development-ready" position. Approving pre-development costs for conceptual lines will demonstrate that the state is supporting needed infrastructure for the future.

Development of solar energy has been one of bright spot in our economy. Governor Brewer and the Arizona Legislature have demonstrated their support for developing a solar industry in the state and a growing constituency recognizes the potential benefits to the state. However, without adequate transmission Arizona cannot achieve a prosperous solar future.

Thank you for your consideration of these comments.

Regards,



Amanda Ormond  
Interwest Energy Alliance &  
Western Grid Group  
7650 S. McClintock Drive  
Ste 103-282  
Tempe, Arizona 85284  
asormond@msn.com  
480-227-8312

**Appendix A**  
**Excerpt from Southwest Area Transmission**  
**Renewable Transmission Task Force**  
**Finance Subcommittee Report, Pages 12 & 13**  
**ACC Docket No. E-0000A-09-0066**

Interwest and WGG recommend that the commission incorporate in the order the following requirements for future RTEP filings:

The RTAP will include the following information:

1. Identification of RTPs, which includes the acquisition of transmission capacity, such as, but not limited to, (i) new transmission line(s), (ii) upgrade(s) of existing line(s), or (iii) the development of transmission project(s) previously identified by the utility (whether conceptual, planned, committed and/or existing), all of which provide either:
  - Additional direct transmission infrastructure providing access to areas within the state of Arizona that have renewable energy resources, as defined by the Commission's Renewable Energy Standard Rules (A.A.C. R14-2-1801, *et seq.*), or are likely to have renewable energy resources;
  - Or
  - Additional transmission facilities that enable renewable resources to be delivered to load centers.
2. Description of how each RTP is expected to advance renewable resource deployment within the State of Arizona.
3. Development approach and schedule for the proposed RTPs, including plans for solicitation of other participants and/or commercial interests, and pre-conditions for moving beyond initial development activities to actual construction.
4. Expected costs of the RTPs, including an assessment of the range of bill impacts for retail customers for each project, and a range of the project costs for each phase of the development approach set forth by the utility in the RTAP.
5. Cost recovery, including any special regulatory treatment that will be sought from the Federal Energy Regulatory Commission ("FERC") or other regulatory agencies.
6. 6. Status report on RTPs identified in the previous RTAP.